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**UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION**

HDMI LICENSING ADMINISTRATOR, INC.,

Plaintiff and Counterclaim De-
fendant,

v.

AVAILINK INC.,

Defendant and Counterclaimant.

Case No. 4:22-cv-6947-HSG

**OPPOSITION OF AVAILINK INC. TO
MOTION TO DISMISS COUNTERCLAIMS**

Date: January 18, 2024

Time: 2:00 pm

Courtroom: 2, 4th Floor.

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I. INTRODUCTION

This case is about a conspiracy among some of the world’s leading consumer electronics firms to restrain competition in markets for standardized electronic components used worldwide. The “Founders” include such consumer electronics giants as Sony, Phillips, Panasonic, Hitachi, and Toshiba. These competitors privately agreed on a standard to transmit digital video and audio and used their combined market power to ensure the standard became dominant. The “HDMI” standard is now used in practically every digital television, personal computer, and game console on the planet.

As the Supreme Court has recognized, “There is no doubt that the members of such [standard-setting] associations often have economic incentives to restrain competition and that the product standards set by such associations have a serious potential for anticompetitive harm.” *Allied Tube & Conduit Corp. v. Indian Head*, 486 U.S. 492, 500 (1988). This case is no exception.

The Founders pooled and agreed to jointly license their intellectual property. Such pools are not uncommon for standardized products and can be procompetitive. But the Founders did not follow the procompetitive blueprint. Instead, to exercise power over products that use the HDMI standard, the Founders and their licensing administrator, HDMI LA, devised an anticompetitive licensing scheme to perpetuate their market power, disadvantage rivals, and keep prices high.

The scheme is multifaceted. It extracts royalties for expired patents, invalid trademarks, and non-infringing products. It imposes trademark royalties regardless of trademark use. It forces rivals to license unneeded versions of the standard. It discriminates against small competitors. And it fixes prices for rivals’ patents. Given the conspirators’ undisputed market power, the results are predictable: the scheme raises rivals’ costs, suppresses competition, and retards innovation, leading to supracompetitive royalties, fees, and prices.

HDMI LA defends the scheme by claiming: (1) companies can seek individual licenses from the Founders; (2) exacting royalties for unexpired patents is not unlawful; (3) Availink must plead more anti-competitive effects; and (4) Availink cannot challenge one aspect of the scheme, the grantback.

But HDMI LA ignores most of the alleged conduct, such as compelling royalties for invalid trademarks and non-infringing products. This is fatal. Antitrust law requires a “holistic” examination of the alleged conspiracy and its effects. The Court must give Availink “the full benefit” of its allegations

1 “without tightly compartmentalizing the various factual components and wiping the slate clean after scru-
 2 tiny of each.” Moreover, as we show, the individual license option is illusory. Compelling royalties for
 3 expired patents is not only patent misuse; it is an antitrust violation. Availink adequately pled anticom-
 4 petitive effects in two ways. And Availink was harmed by and can challenge the grantback provision.

5 HDMI LA also says that because the Court dismissed its trademark infringement claim, Availink
 6 cannot seek to cancel the trademarks as generic. Not so. HDMI LA’s remaining claim for breach of
 7 contract is premised on the continued use of trademarks. Availink has standing to challenge the trade-
 8 marks, and it has adequately alleged they are now generic.

9 **II. THE COUNTERCLAIM ALLEGATIONS**

10 **A. The Founders secretly develop the now-dominant HDMI standard.**

11 The HDMI standard (also known as the “Specification”) is used to transmit digital video and audio
 12 data in consumer electronics. (Dkt. 49 ¶ 16.) As evidenced by the HDMI ports on the backs of computers,
 13 televisions, gaming consoles, and other electronics, the standard is now ubiquitous. According to HDMI
 14 LA, as of 2022, the standard is incorporated in “over 11 billion products.” (*Id.* ¶ 35.)

15 The HDMI standard is unique. Most consumer electronics standards are developed by open stand-
 16 ard-setting organizations, ensuring transparent processes, publicly available specifications, and protection
 17 from exploitation by patent holders. (*Id.* ¶¶ 17, 69.) The openness and transparency of these organizations
 18 help prevent anticompetitive manipulation and ensure small competitors are not unfairly disadvantaged.

19 In contrast, the HDMI standard was developed by a private consortium. The so-called “Founders,”
 20 which include five of the world’s leading consumer electronics firms, developed the standard in secret.
 21 (*Id.* ¶¶ 18, 19, 30.) They also refuse to make the standard public, disclosing it only as part of a license
 22 and subject to strict confidentiality requirements. (*Id.* ¶¶ 18, 60, 78.)

23 The Founders issued the first version of the HDMI standard in 2002. (*Id.* ¶¶ 19, 59.) Because they
 24 had significant shares in key consumer electronics markets, the standard enjoyed an immediate installed
 25 base. (*Id.* ¶ 27.) This base, combined with a first-mover advantage, network effects, and switching costs,
 26 catapulted the HDMI standard to dominance. (*Id.* ¶¶ 20-28.) According to HDMI LA, “The HDMI Spec-
 27 ification is ubiquitous and is the undisputed global standard,” and “almost all recently manufactured digital
 28 TVs, AV receivers, DVRs, Bluray disc players, and set-top boxes, as well as many multimedia PCs,

laptops and netbooks, gaming consoles, camcorders, digital still cameras, mobile devices, etc., incorporate the HDMI Specification.” (*Id.* ¶ 29.)

B. The Founders pool their patents, giving them market power, but face a problem.

To gain market power over products using the standard, the Founders pooled their necessary patents (i.e., patents necessarily infringed by compliance with the standard) and agreed to jointly license them as a package through a standardized “Adopter Agreement.” (*Id.* ¶¶ 3, 31, 33, 45.) By pooling their patents, the Founders jointly possess power in the markets for HDMI technology, HDMI-compatible products (such as computers, monitors, Blu-Ray players, and digital televisions), and components of those products (such as system-on-chip integrated circuits (“SoC ICs”)). (*Id.* ¶¶ 32, 35, 37, 121, 122.)

But the Founders faced a problem: patents expire. (*Id.* ¶ 39.) For patent pools, expiration diminishes market power and provides only a limited time to extract royalties. (*Id.* ¶¶ 39-40.)

C. The Founders and HDMI LA conspire to preserve their market power.

To address this problem, the Founders and HDMI LA conspired to implement a licensing scheme to extend their market power. According to the CEO and President of HDMI LA, the first part of the Founders’ strategy was to create a unique licensing structure that seeks to insulate the pooled patents. (*Id.* ¶ 42.) Unlike patent pools for other standards, the Founders combined a license to their necessary patents with a license to certain trademarks. (*Id.*)

The Founders then engaged in a number of practices to raise rivals’ costs and restrict competition. The scheme forces rivals to pay royalties for expired patents, invalid trademarks, non-infringing products, and trademarks they do not use. (Dkt. 49 ¶¶ 42-57, 66, 82, 103-12.) It requires rivals to license versions of the HDMI standard they do not need. (*Id.* ¶¶ 58-66.) It forces component manufacturers to pay higher royalties unless they police customer use of the trademarks. (*Id.* ¶¶ 84-96.) And it gives the Founders the power to jointly determine what they will pay for certain licensee patents. (*Id.* ¶¶ 97-102.) To prevent potential licenses from avoiding this scheme, the Founders and HDMI LA obscure what patents are included in their pooled license, allow access to the Specification only to those who take a license, and otherwise keep the Specification confidential. (*Id.* ¶¶ 60, 67-83.)

The scheme has marketwide effects. Over “1,900 of the largest and most innovative electronics and PC manufacturers worldwide” are under the Adopter Agreement. (Dkt. 1 ¶ 13.) By their scheme, the

1 Founders exercise their combined market power to raise the costs of these rival manufacturers and sup-
 2 press competition. (*Id.* ¶ 123.) The result has been supracompetitive royalties, fees, and prices. (*Id.*)

3 **1. Forcing rivals to pay for expired patents**

4 A “hybrid” package license—one that includes patents and non-patent rights—is not per se prob-
 5 lematic. But such a license can be used unlawfully to extract royalties for expired patents. (Dkt. 49 ¶ 44.)
 6 Absent a “step-down” in the overall royalty rate as pooled patents expire, the licensee ends up paying
 7 royalties on the expired patents, unlawfully extending the temporal scope of those patents. (*Id.*)

8 That is the case here. The HDMI standard is over 20 years old. (*Id.* ¶ 28.) Patents that covered
 9 the first version of the standard have now expired. (*Id.* ¶ 48.) But under the Adopter Agreement, the
 10 licensing rate has remained unchanged, despite the expiration of key patents. (*Id.* ¶¶ 45, 48.) Moreover,
 11 the Adopter Agreement term is ten years, with an automatic renewal for another five, trapping licensees
 12 while patents expire. (*Id.* ¶¶ 46-47.)

13 The failure to include any step-down in the royalty rate for the HDMI license is a form of patent
 14 misuse. (*Id.* ¶ 50.) And it raises rivals’ costs, allowing the Founders and HDMI LA, to continue to
 15 exercise market power in the markets for HDMI-compatible products and components. (*Id.*)

16 **2. Refusing to disclose the patents subject to the license**

17 The Founders and HDMI LA seek to hide that the Adopter Agreement’s royalty rate includes
 18 payment for expired patents. (*Id.* ¶ 67.) Standard practice among licensors and licensing agents is to
 19 disclose the licensed patents. (*Id.* ¶ 68.) Without such a disclosure, licensees are forced to conduct a
 20 freedom-to-operate investigation, which is difficult to perform, cost-prohibitive for many (especially
 21 smaller) companies, and often fails to identify all relevant patents. (*Id.*) Alternatively, the licensee must
 22 sign the license without knowing whether it is necessary. (*Id.*) It is also standard practice for standards-
 23 setting organizations to make their specifications public. (*Id.* ¶ 69.) A public specification allows potential
 24 licensees to evaluate the necessity of a licensor’s patents. (*Id.*)

25 Contrary to these standard practices, HDMI LA refuses to identify the patents licensed under the
 26 Adopter Agreement and keeps the HDMI Specification confidential. (*Id.* ¶ 70.) This conduct is designed
 27 to prevent licensees from discovering that patents no longer protect early versions of the HDMI standard.
 28 (*Id.* ¶ 77.) It also prevents potential licensees from evaluating whether obtaining separate licenses from

the Founders is feasible. (*Id.* ¶ 79.) Thus, although the Adopter Agreement states that “each Founder is willing to provide separate patent licenses,” the refusal to disclose and secrecy over the Specification nullifies this option. (*Id.* ¶¶ 79, 83.) For example, Availink cannot determine whether it would need to take a license from HDMI LA to develop SoC ICs compatible with HDMI 2.1, whether it needs only take licenses directly from one or more of the Founders, or whether it needs a license at all. (*Id.* ¶ 80.)

3. Exacting royalties for non-infringing products

The refusal to disclose the licensed patents also allows the Founders and HDMI LA to extract royalties for non-infringing products. (*Id.* ¶ 81.) Patent licensors and licensing agents for other standards not only disclose relevant patents but also require royalties for the manufacturing or sale of compliant products *only* in countries in which they have patents. (*Id.*) In contrast, the Adopter Agreement requires the payment of a full royalty, *no matter where* the product is manufactured, shipped, or sold. (*Id.* ¶ 82.)

The refusal to disclose facilitates these unlawful disclosures. (*Id.*) Without disclosure, licensees do not know which countries the Founders’ patents cover. (*Id.*) Availink, for instance, asked HDMI LA to disclose the jurisdictions in which the licensed patents were issued. (*Id.*) HDMI LA refused. (*Id.*) The Adopter Agreement nonetheless forces licensees to pay royalties for products manufactured and sold in countries where the Founders have no patent rights, thereby raising rivals’ costs, restraining competition, and unlawfully expanding the geographic scope of the Founders’ purported patent rights. (*Id.*)

4. Compelling royalties for invalid trademarks

The conspiracy also compels the payment of royalties for invalid trademarks. The Founders and HDMI LA claim rights to the mark “HDMI,” which they license under the Adopter Agreement. (*Id.* ¶¶ 104-106.) That term, however, has become generic, and the trademark is thus no longer valid.

A trademark must function as an indicator of source or origin. (*Id.* ¶ 107.) Once the relevant consuming public perceives that the mark is a generic term for a type of goods, the mark ceases to function as a trademark. (*Id.*) Famous examples of generic terms that no longer function as trademarks include “elevator,” “trampoline,” and “aspirin.” (*Id.*)

“HDMI” has become a generic term for a type of product. Third parties commonly use the term to refer to a connector or matching input port with a specific physical configuration. (*Id.* ¶ 109.) When a consumer buys a new television, the salesperson or online retail site will remind them to purchase “HMDI

1 cables.” (*Id.* ¶ 110.) Television specifications on retailer websites include the number of “HDMI inputs.”
 2 (*Id.*) Online retailers often depict the term HDMI without a TM or R symbol denoting that it is a registered
 3 trademark. (*Id.*) And manufacturers of HDMI-compliant televisions and cables use the term HDMI ge-
 4 nerically. (*Id.* ¶ 111.)

5 In short, the relevant consuming public does not perceive HDMI as an indicator of source or origin.
 6 Rather, HDMI is, or has become, a generic term for a type of connector and related goods. (*Id.* ¶ 112.)
 7 Yet the Founders and HDMI LA force licensees to pay royalties for using this generic trademark, thereby
 8 raising rivals’ costs and restricting competition. (*Id.* ¶¶ 56-57.)

9 **5. Imposing royalties on products that do not use the trademarks**

10 Even if the trademarks were valid, the Founders and HDMI LA make rival manufacturers pay for
 11 trademarks they don’t use. The term “HDMI” is used to identify end-user products compliant with the
 12 HDMI standard. (*Id.* ¶ 51.) But manufacturers of components incorporated in end-user products do not
 13 use the trademark. (*Id.*) And even many end-user product manufacturers do not use the HDMI trade-
 14 marks. (*Id.* ¶ 52.) Indeed, Stacey-Lee Messam, Trademark Compliance Manager at HDMI LA, has ad-
 15 mitted that many end-user products “do not use any of our trademarks anywhere.” (*Id.*)

16 Nonetheless, licensees must pay the full royalty rate under the Adopter Agreement, even if the
 17 trademarks are never used. (*Id.* ¶ 55.) Availink, for instance, manufactures only SoC Ics. (*Id.* ¶ 53.) It
 18 does not use the trademarks because these components are not visible—they are incorporated into end-
 19 user products. (*Id.*) Many of Availink’s customers, who manufacture end-user products, do not use the
 20 HDMI trademark. (*Id.*) But when Availink raised this issue, HDMI LA insisted that “[n]on-use of HDMI
 21 trademark will not eliminate the royalty responsibility.” (*Id.* ¶ 54.) This imposition of royalties raises
 22 rivals’ costs and restricts competition. (*Id.* ¶ 57.)

23 **6. Requiring payments for versions manufacturers don’t use or need**

24 The conspiracy also restricts competition by bundling licenses for different versions of the HDMI
 25 standard. (*Id.* ¶ 58.) Over the years, the Founders have released multiple versions of the Specification.
 26 (*Id.* ¶ 59.) The continual updating forces companies to license under the Adopter Agreement. (*Id.* ¶ 60.)
 27 Unlike other standard-setting organizations, which make all versions of their standards publicly available,
 28 the Founders and HDMI LA refuse to make the Specification available without a license to their

1 intellectual property. (*Id.*) Licensees must therefore continue to renew the Adopter Agreement to access
2 the updated HDMI Specification. (*Id.*)

3 But manufacturers of products compliant only with the earlier versions do not need access to the
4 new versions. (*Id.* ¶ 62.) For example, Availink manufactures SoC Ics compliant only with HDMI 1.x.
5 (*Id.*) Other standard-essential package licensors offer separate licenses for the various versions of their
6 standards. (*Id.* ¶ 63.) The Founders and HDMI LA, however, refuse to do so. (*Id.*) Instead, the Adopter
7 Agreement bundles the rights to all the versions of HDMI. (*Id.*)

8 This bundling restricts competition. Many products do not require the additional features incor-
9 porated in the newer versions. (*Id.* ¶ 64.) For example, industry data show that HDMI version 1 cables
10 comprise nearly 13% of the worldwide market for HDMI cables in 2022. (*Id.*) Because the HDMI stand-
11 ards retain backward compatibility, HDMI 1 products compete with newer versions of HDMI products.
12 (*Id.*) The bundling of versions into a single license artificially raises the costs of HDMI 1 products, thereby
13 restricting competition in the HDMI markets. (*Id.* ¶ 65.)

14 **7. Levying higher royalties on small competitors**

15 The conspiracy further restricts competition by levying higher royalties on small competitors. The
16 Adopter Agreement requires manufacturers of HDMI components, such as Availink, to pay a higher roy-
17 alty unless they can demonstrate that their components were incorporated into end-user products subject
18 to the HDMI royalty. (*Id.* ¶ 85.) Smaller component manufacturers, like Availink, sell most, if not all, of
19 their products through a network of distributors and wholesalers, which in turn sell to end-product manu-
20 facturers. (*Id.* ¶ 88.) The component manufacturers cannot verify whether their components end up in
21 end-user products manufactured by HDMI-licensed entities. (*Id.* ¶ 90.) Even if the end-user manufactur-
22 ers are known, they have no obligation to disclose whether they use the trademarks. (*Id.*) And without
23 the ability to enforce the trademarks, the component manufacturers cannot corral end-user manufacturers
24 to use them. (*Id.* ¶ 92.) As a result, these component manufacturers must bear the higher HDMI royalty,
25 which is a substantial percentage of the average selling price of their products. (*Id.* ¶ 91.) In contrast,
26 under the Founders' scheme, larger manufacturers like the Founders—who are either vertically integrated
27 or can bypass the network of distributors and wholesalers—pay the lower royalty rate. (*Id.* ¶¶ 93-94.)

Further, exacerbating this disparity, HDMI LA has interpreted the Adopter Agreement differently for smaller competitors and selectively enforces the reporting requirement against only such competitors. (*Id.* ¶ 95.) Thus, HDMI LA discriminates against small component manufacturers, restraining competition in the markets for HDMI components and HDMI-complaint SoC Ics. (*Id.* ¶¶ 95-96.)

8. Fixing the price for licensees' patents

Finally, the conspiracy restricts innovation by fixing the price for licensee HDMI-related patents. The Adopter Agreement requires licensees to give up their right to assert their necessary patents against any Founder or any of their 1900-plus licensees. (*Id.* ¶ 100.) Unlike pool licensing agreements approved by the Department of Justice, the Adopter Agreement does not allow licensees to seek “fair and reasonable” royalties for their patents. (*Id.* ¶ 101.) In return for giving up the right to assert their current and future patents, licensees receive only a right to “petition” the Founders for a share of “future royalties collected under HDMI.” (*Id.*) The Founders—not an independent expert—“make the final determination regarding a reasonable allocation of future royalties” for the licensee’s patents. (*Id.*)

This provision is an anticompetitive price-fixing agreement. (*Id.* ¶ 102.) The Founders, who are competitors of each other and licensees, jointly determine whether they will pay anything for the rights to the licensee’s patents and, if so, how much. (*Id.*) The effect of this anticompetitive agreement is to reduce the royalties paid by the Founders for licensees’ patents. (*Id.*) This anticompetitive reduction in royalties retards incentives to innovate in the market for HDMI technology. (*Id.*)

D. Availink asks too many questions and gets sued.

Availink signed the Adopter Agreement in 2015 and paid the annual fees, but due to economic and financial conditions in 2018, it stopped paying, effectively withdrawing from the Agreement but remaining subject to certain nonassertion obligations. (*Id.* ¶¶ 47, 113.) In 2021, when Availink sought reinstatement, HDMI LA changed its interpretation of the Adopter Agreement. For the first time, HDMI LA insisted that Availink provide an expansive quarterly sales report, including a detailed breakdown of sales by customer, so that it could use this information to seek royalties from Availink’s customers. (*Id.* ¶ 117.) Availink has learned from other sources that HDMI LA was indeed selectively changing the interpretation of the Adopter Agreement, discriminating against small component manufacturers. (*Id.* ¶ 95.)

Given that the HDMI standard was first issued over twenty years ago, Availink started asking questions about what patents are included in the license, whether they had expired, who owned the patents, and why it should pay for a trademark license it does not need. (*Id.* ¶¶ 53-54, 71-73.) HDMI LA refused to answer these questions, other than to say that “[n]on-use of HDMI trademark will not eliminate the royalty responsibility.” (*Id.* ¶¶ 54, 71-74.) Instead, HDMI LA sued Availink. (*Id.* ¶ 74.)

III. LEGAL STANDARD

In assessing a motion under Rule 12(b)(6), the Court must “accept factual allegations in the complaint as true and construe the pleadings in the light most favorable to the nonmoving party.” *Manzarek v. St. Paul Fire & Marine Ins. Co.*, 519 F.3d 1025, 1031 (9th Cir. 2008) (citation omitted). To survive, the complaint must allege “enough facts to state a claim to relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). A plausible claim includes “factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Benavidez v. Cty. Of San Diego*, 993 F.3d 1134, 1144 (9th Cir. 2021) (internal quotations omitted).

IV. ARGUMENT

A. Availink alleges a plausible violation of federal antitrust law.

To state a claim under Section 1 of the Sherman Act, a plaintiff must plead: (1) a contract or conspiracy among two or more business entities; (2) by which the entities intended to harm or restrain trade; (3) which actually injures competition. *In re Nat’l Football League’s Sunday Ticket Antitrust Litig.*, 933 F.3d 1136, 1150 (9th Cir. 2019). Here, Availink alleges a contract or conspiracy among HDMI and the Founders intended to restrain trade. (Dkt. 49 ¶¶ 31-41, 119-128.) Availink further alleges two independent bases for actual injury to competition: (1) actual detrimental effects (higher royalties and fees, supracompetitive product prices, and reduced innovation); and (2) the conspirators possess market power and their conduct, as a matter of economic theory, harms competition. (*Id.* ¶¶ 16-32, 37, 38, 49-50, 55-57, 62-66, 81, 82, 90-96, 102, 120-23.)

HDMI LA, however, insists: (1) its licensing scheme is lawful because the Adopter Agreement says licensees can supposedly obtain separate licenses to the various rights in the package license; (2) failing to reduce the package license royalty rate as bundled patents expire is not unlawful; (3) Availink

1 must allege even more to show anticompetitive effects; and (4) Availink cannot challenge the anticom-
 2 petitive grant-back provision. HDMI is wrong across the board.

3 **1. HDMI LA ignores numerous allegations of anticompetitive conduct.**

4 As a threshold matter, HDMI LA’s motion must be denied because it fails to address the cumula-
 5 tive impact of the numerous alleged anticompetitive practices under the licensing scheme. Instead, HDMI
 6 LA picks and chooses, defending the structure of the Adopter Agreement by focusing only on certain
 7 provisions. (Mot. 7-14.) The law, however, requires that the “character and effect of a conspiracy are not
 8 to be judged by dismembering it and viewing its separate parts, but only by looking at it as a whole.”
 9 *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690, 698-99 (1962). The Court must
 10 therefore give Availink “the full benefit” of its allegations “without tightly compartmentalizing the various
 11 factual components and wiping the slate clean after scrutiny of each.” *Nat’l Football League’s Sunday*
 12 *Ticket Antitrust Litig.*, 933 F.3d at 1152-53 (internal quotation omitted).

13 This is fatal to HDMI LA’s motion. *First*, HDMI LA altogether ignores several anticompetitive
 14 elements of the scheme. HDMI LA never mentions that it compels royalties for non-infringing products
 15 (Dkt. 49 ¶¶ 66, 82); invalid trademarks (*id.* ¶¶ 56, 103-112); and products that do not use the trademarks
 16 (*id.* ¶¶ 51-57). These practices are anticompetitive. *See United States v. United States Gypsum Co.*, 333
 17 U.S. 364, 397 (1948) (condemning as anticompetitive a provision in a license “that royalties should be
 18 paid on the production of unpatented [products]”); *Zenith Radio Corp. v. Hazeltine Research*, 395 U.S.
 19 100, 138 (1969) (upholding injunction against collection of royalties on unpatented products); *SanDisk*
 20 *Corp. v. Kingston Tech. Co.*, 2010 WL 11595034, at *3, *8 (W.D. Wis. Nov. 15, 2010) (imposition of
 21 royalties on non-infringing products stated antitrust claim). So too is imposing higher royalties on small
 22 component manufacturers that cannot verify downstream products are subject to the HDMI trademark
 23 royalties. (Dkt. 49 ¶¶ 84-94.) *See SanDisk Corp.*, 2010 WL 11595034, at *3, *8 (forcing “aggregators”
 24 to pay royalties that manufacturers should have paid was anticompetitive imposition of additional costs
 25 on certain competitors).

26 Nor does HDMI LA address the allegations of bundled licenses for different versions of the HDMI
 27 standard (Dkt. 49 ¶¶ 58-66), which restricts competition among HDMI products. *See Meredith Corp. v.*
 28 *SESAC, LLC*, 2011 WL 856266, at *4, *13-*14 (S.D.N.Y. Mar. 9, 2011) (antitrust claim based on refusal

by licensing administrator to offer unbundled “per-program” license instead of blanket license). HDMI LA also ignores the allegations that it discriminates against small competitors through differing contract interpretations and selective enforcement of licensing terms, which restricts competition. (Dkt. 49 ¶ 85). *See, e.g., United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 160 (1948) (licensing contracts that discriminated against smaller competitors violated Sherman Act); Dept. of Justice, *MPEG-2 Business Review Letter*, 1997 DOJBRL LEXIS 14, *22 (June 26, 1997) (discriminatory application of pool license may exclude competitors).¹

Second, while defending the structure of the Adopter Agreement, HDMI LA ignores the allegations regarding its operation. Availink alleges not only that the *structure* of the licensing scheme is anti-competitive, but also that how the scheme *operates* restrains competition. For instance, in operation, HDMI LA interprets the Adopter Agreement differently for small competitors and selectively enforces the licensing scheme to disadvantage these competitors. (*See* Dkt. 49 ¶ 95.) In operation, HDMI LA also imposes royalties on products sold in countries where the Founders have no patents. (*Id.* ¶ 82.) None of this anticompetitive conduct is apparent from the structure of the Adopter Agreement, and unsuspecting licensees are trapped in a ten-year license before they may learn of it. (*Id.* ¶¶ 46-47.)

Together, the practices ignored by HDMI LA raise rivals’ costs and suppress competition. (Dkt. 49 ¶¶ 32, 38, 50, 65, 77, 82, 84-96, 102.) “Looking holistically at the alleged conduct,” Availink’s complaint therefore adequately pleads an agreement to restrain competition. *Nat’l Football League’s Sunday Ticket Antitrust Litig.*, 933 F.3d at 1153.

2. The separate licensing option is illusory and does not save HDMI LA’s anti-competitive scheme.

HDMI LA says its licensing scheme is lawful because the Adopter Agreement supposedly allows for separate licenses from the Founders. (Mot. 7-9.) Not so. *First*, HDMI LA relies on cases involving copyright pools (BMI and ASCAP) that were subject to antitrust consent decrees that *prohibited* some of the very conduct HDMI LA engages in, such as refusing to grant unbundled licenses. *See Meredith Corp.*, 2011 WL 856266, at *12 (distinguishing cases such as *Buffalo Broad. Co. v. ASCAP*, 744 F.2d 917 (2d Cir. 1984) because they “involved challenges to the practices of either ASCAP or BMI, both of which

¹ We provide the MPEG LA and other Business Review Letters in an appendix.

were already operating under the terms of the consent decrees that plaintiffs argue prohibit much of the anticompetitive conduct alleged in the present complaint”).

Second, as a factual matter, separate licensing is not realistically available. The Adopter Agreement expressly precludes licensing the Specification separately from the trademarks. HDMI LA’s conduct makes illusory any opportunity to separately license the patents. And HDMI LA rebuffed Availink’s attempts to get the information necessary to seek separate licenses.

a) The Adopter Agreement does not allow separate licensing of the Specification and the Trademarks.

Contrary to HDMI LA’s assertion, the Adopter Agreement does *not* allow for separate licensing of the rights in the package license. The Adopter agreement bundles three sets of rights: the patents; the trademarks; and access to the Specification. (Dkt. 1-2 ¶¶ 2, 4, 5.) The Agreement does state that “each Founder is willing to provide separate patent licenses to any Necessary Claims.” (*Id.* ¶ 9.22.1.) But by its express terms, the Agreement does *not* permit licensing of the Specification without the trademarks. (*Id.* ¶ 9.22.2.) Those rights can only be licensed together. (*Id.* ¶ 9.22.2 (speaking of “a separate license” (singular) “to the Specification *and* ... the Adopted Trademarks” (emphasis added))).

This is tying. *See, e.g., Paramount Pictures, Inc.*, 334 U.S. at 156 (condemning agreement conditioning copyright license for certain films on taking licenses for other films). Companies seeking to manufacture HDMI-compliant products need the Specification; due to the dominance of the HDMI standard, “HDMI compatibility is a ‘must have.’” (Dkt. 49 ¶ 28.) But many companies, such as Availink, do not use the trademarks and thus have no need to license them. (*Id.* ¶¶ 51-57.) HDMI LA nonetheless requires a full royalty payment, even if licensees do not use the trademarks. (*Id.* ¶¶ 54-55.) Tying the Specification to the trademarks raises rivals’ costs and restrict competition. (*Id.* ¶ 57.)

b) HDMI LA obscures the patents in the license, making the opportunity to license directly from the Founders illusory.

Further, individual licensing of the Necessary Claims is not truly available. As the courts have made clear, it’s not what the agreement *says* that counts; it’s whether individual licenses are “*realistically available*.” *Buffalo Broad. Co.*, 744 F.2d at 925 (emphasis added).

Individual licensing is not available when a licensing administrator “discourag[es] direct licensing by ... obscuring the [rights]” in its package license. *Radio Music License Comm., Inc. v. SESAC, Inc.*, 29

1 F. Supp. 3d 487, 501 (E.D. Pa. 2014) (denying motion to dismiss). The “lack of transparency” regarding
 2 what rights are included forces companies to take the package license. *Id.* In other words, a licensing
 3 agent’s refusal to “adequately disclose” the rights in a package license *prevents* separate licensing. *Radio*
 4 *Music License Comm., Inc. v. SESAC Inc.*, 2013 WL 12114098, at *18 (E.D. Pa. Dec. 23, 2013), report
 5 and recommendation adopted as modified, 2014 WL 12617437 (E.D. Pa. Feb. 20, 2014); *see also Broad.*
 6 *Music, Inc. v. Moor-Law, Inc.*, 484 F. Supp. 357, 367 (D. Del. 1980) (agent’s refusal to “supply a list of
 7 the compositions within its repertory” made individual licensing infeasible). The lack of disclosure makes
 8 the opportunity to separately license “illusory.” *In re Pandora Media, LLC*, 2022 WL 19299126, at *9
 9 (C.D. Cal. Oct. 26, 2022) (denying motion to dismiss antitrust claims because plaintiff “adequately alleges
 10 that the availability of any individual licenses is illusory”).

11 That describes HDMI LA’s conduct to a T. As part of its anticompetitive scheme, HDMI LA—as
 12 the agent of the Founders—refuses to disclose what patent rights are in its package license. (Dkt. 49 ¶¶
 13 67-77.) This refusal flies in the face of standard practice among licensing agents for standards-related
 14 licenses. (*Id.* ¶ 68.) After all, the licensing agent should know what patents are relevant. (*Id.*) That is
 15 why other joint licensors provide potential licensees with a “brochure of ‘essential’ patents,” list the pa-
 16 tents in an attachment to the license, or identify the relevant patents by some other means, such as posting
 17 them on a website. *Matsushita Elec. Indus. Co. v. Cinram Int’l, Inc.*, 299 F. Supp. 2d 370, 377 (D. Del.
 18 2004); *MPEG-2 Business Review Letter*, 1997 DOJBRL LEXIS 14, *15; *Samsung Elecs. Co., Ltd. v.*
 19 *Panasonic Corp.*, No. C 10-03098 JSW, 2015 WL 10890655, at *6 n.6 (N.D. Cal. Sep. 30, 2015).

20 In contrast, HDMI LA takes pains to keep potential licensees in the dark. (Dkt. 49 ¶¶ 67-77.)
 21 Without disclosure, potential licenses “cannot independently evaluate whether the license actually in-
 22 cludes necessary patents.” (*Id.* ¶ 77.) They can only resort to a difficult-to-conduct, cost-prohibitive
 23 “freedom-to-operate investigation,” which often fails to identify all relevant patents. (*Id.* ¶ 68.) The
 24 refusal to disclose, therefore, “prevents potential licensees from seeking independent licenses from the
 25 Founders.” (*Id.* ¶ 83.) “[T]here is simply no [other] practical choice” than to take the package license.
 26 *Radio Music License Comm.*, 2013 WL 12114098, at *18.

27 But that is not all. HDMI LA’s conduct goes beyond obscuring the patents in its package license.
 28 Further exploiting its information asymmetry, HDMI LA keeps the Specification secret. (*Id.* ¶¶ 70, 78-

79.) This too flies in the face of standard practice, which is to make standards-related specifications public. (*Id.* ¶ 69.) The Specification is necessary to determine what patents would be infringed by manufacturing a standard-compliant product. (*Id.*) Without access to the Specification, there is *no way* for a potential licensee to determine what patents it needs to license to practice the standard. (*Id.*)

HDMI LA’s conduct thus “prevents potential licensees from evaluating whether obtaining separate licenses from the Founders is feasible.” (*Id.* ¶ 79.) For instance, “Availink cannot determine whether it would need to take a license from HDMI LA to develop SoC ICs compatible with HDMI 2.1, whether it needs only take licenses directly from one or more of the Founders, or whether it needs a license at all.” (*Id.* ¶ 80.) The supposed opportunity to license directly from the Founders is illusory. *Radio Music License Comm.*, 29 F. Supp. 3d at 501.

c) HDMI LA rebuffed Availink’s inquiries seeking information relevant to separate licensing.

HDMI LA, however, says it can avoid antitrust scrutiny because Availink supposedly “never made an inquiry or attempted to negotiate a single individual license.” (Mot. 9 (cleaned up).) HDMI LA is wrong on the law and the facts. As a matter of law, because the “availability of individual licenses is illusory,” Availink “need not allege any attempt to individually license.” *In re Pandora Media, LLC*, 2022 WL 19299126, at *9; *see also Broad. Music, Inc.*, 484 F. Supp. at 367 (agent’s refusal to disclose rights in package license made seeking individual licenses futile).

As a matter of fact, contrary to HDMI LA’s claim, Availink *did* make inquiries related to separate licensing, *twice*. HDMI LA rebuffed these requests. (Dkt. 49 ¶¶ 71-74.) Availink specifically asked for information that would allow it to evaluate separate licensing: *a list of patents, their owners, and which version the patents covered*. As stated in an email to HDMI LA:

HDMI specification has been around for over twenty years, applicable patents, if any, should have been expired. If you do think that we might infringe some of the patents, please send us the list of patents, including patents owners, authorization for you to represent the patent owners, applicable versions of HDMI specifications, also jurisdiction of the patent validity.

(*Id.* ¶ 71.) HDMI LA—the agent of the Founders—refused to provide the information. (*Id.* ¶ 72.) Later, Availink again asked for information necessary to evaluate whether the package license or separate licenses made sense:

HDMI specification is around over twenty years and patent rights last for up to 20 years. If you really want to assert IPR [intellectual property rights] on any patent, you do need first to give us exactly what are relevant IPs [intellectual property], patents you own or you are authorized to represent and versions of HDMI specification related. Any license term will need to tie to the period of the validity of the involved patent.

(*Id.* ¶ 73.) But rather than answering, HDMI LA brought its lawsuit. (*Id.* ¶ 74.)

HDMI LA's refusal to disclose the patents and the Specification is "an integral part of the Founders' and HDMI LA's efforts to raise rivals' costs and suppress competition from products compatible only with early versions of the HDMI standard." (Dkt. 49 ¶ 77.)

3. The lack of a step-down is anticompetitive.

Turning to the royalty rate for the package license, HDMI LA says it's okay to charge the same rate for 20 years, even though patents in the package have expired. (Mot. 9-10.) According to HDMI LA, no rate decrease is needed so long as some included patents remain valid. That is not the law.

The Supreme Court has made clear that "the exaction of royalties" for use of patented technology "after the patent has expired" is an unlawful "assertion of monopoly power." *Brulotte v. Thys Co.*, 379 U.S. 29, 33 (1964). "Patents endow their holders with certain superpowers, but only for a limited time." *Kimble v. Marvel Entm't, LLC*, 576 U.S. 446, 451 (2015). Exacting post-expiration royalties is thus "analogous to an effort to enlarge the monopoly of the patent by tying the sale or use of the patented article to the purchase or use of unpatented ones." 379 U.S. at 33.

Exacting royalties for expired patents is not just patent misuse. It is an antitrust violation. "A starting point for an antitrust analysis of any patent pool is an inquiry into the validity of the patents." *MPEG-2 Business Review Letter*, 1997 DOJBRL LEXIS 14 at *19. As the DOJ Antitrust Division has repeatedly explained in reviewing proposed licenses like the one here, "A licensing scheme premised on invalid or expired intellectual property will not withstand antitrust scrutiny." *Id.*; *see also* Dept. of Justice, *3C DVD Business Review Letter*, 1998 DOJBRL LEXIS 15, *19 (Dec. 16, 1998); Dept. of Justice, *RFID Business Review Letter*, 2008 DOJBRL LEXIS 5, *17 (Oct. 21, 2008). The DOJ has thus insisted on mechanisms, such as independent expert review, to ensure that pooled licenses do not shield invalid patents. *See, e.g.*, 1997 DOJBRL LEXIS 14 at *21 (approving provisions designed to keep invalid patents out of portfolio license).

This principle applies with equal force in the context of “hybrid” licenses, which, like the Adopter Agreement, include both patents and nonpatent rights. A licensor cannot require the same royalty rate after patents expire in such a package license. See *Chromalloy Am. Corp. v. Fischmann*, 716 F.2d 683, 685 (9th Cir. 1983) (after patent expires, “hybrid agreements are not enforceable according to their terms”). This is because, consistent with *Brulotte*, the “enforcement of the payment of royalties on invalid patents is to be discouraged.” *Id.* In other words, “the same rule which makes royalties for patent rights uncollectible if the patent is invalid” applies to hybrid licenses. *St. Regis Paper Co. v. Royal Indus.*, 552 F.2d 309, 315 (9th Cir. 1977). Although a licensor may collect royalties for unexpired patents or nonpatent rights in the package, it cannot charge “royalties at the same rate and on the same basis after the patents expired that [were] paid while the patent was in effect.” *Pitney Bowes, Inc. v. Mestre*, 701 F.2d 1365, 1373 (11th Cir. 1983) (holding that *Brulotte* applies to hybrid licenses); see also *Boggild v. Kenner Prods.*, 776 F.2d 1315, 1321 (6th Cir. 1985) (holding hybrid license “unlawful per se” because it did not include “terms for reduction of post-expiration royalties”).

HDMI LA is also wrong that Availink “has not alleged anything suggesting the license was not voluntarily entered into.” (Mot. 10.) As explained above, the Adopter Agreement conditions a license to the Specification, which is necessary to manufacture compliant products, on also licensing and paying royalties for the trademarks, even if the licensee does not use the trademarks. (Section IV.A.2.a, *supra.*) That sort of conditioning is unlawful coercion. See *Jefferson Par. Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 12 (1984) (“the essential characteristic of an invalid tying arrangement lies in the seller’s exploitation of its control over the tying product to force the buyer into the purchase of a tied product that the buyer ... did not want”); *Zenith Radio Corp.*, 395 U.S. at 136 (patent owner “may not condition the right” to use a patent on payment of royalties for non-patented products). Moreover, by obscuring what patents are included in the license and keeping the Specification secret, HDMI LA effectively forces companies to take a package license. (Section IV.A.2.b, *supra.*) There is nothing “voluntary” about this scheme.

4. The conspiracy harmed competition.

According to HDMI LA, Availink did not allege “any anticompetitive effect.” (Mot. 10.) Not so. Anticompetitive effects, i.e., injury to competition, may be shown in two ways. A plaintiff may show “actual detrimental effects,” such as “reduced output, increased prices, or decreased quality in the relevant

market.” *PLS.COM, LLC v. Nat’l Ass’n of Realtors*, 32 F.4th 824, 834 (9th Cir. 2022) (internal quotations omitted). Or a plaintiff may show the “defendant has market power and present ‘some evidence that the challenged restraint harms competition.’” *Epic Games, Inc. v. Apple, Inc.*, 67 F.4th 946, 983 (9th Cir. 2023) (quoting *Ohio v. Am. Express Co.*, 138 S. Ct. 2274, 2284 (2018)). That evidence need not “be extensive or highly technical”; it need only show that “the defendant’s conduct, as a matter of economic theory, harms competition.” *Id.* Availink sufficiently alleged injury to competition under both criteria.

First, Availink alleges actual detrimental effects in the form of “reduced innovation,” “supracompetitive fees and royalties,” and “supracompetitive prices.” (Dkt. 49 ¶¶ 50, 102, 118, 123, 124.) Ignoring the allegations of reduced innovation, HDMI LA claims that Availink’s “only” allegation about supracompetitive prices is the lack of a step-down in the royalty rate and claims that Availink must show that the package license rate is “higher than the price of individual[] licensing.” (Mot. 11.) Not true.

HDMI LA again ignores the cumulative effect of all the alleged conduct. True, pooled licensing of intellectual property rights may, in some circumstances, have procompetitive effects. But pooled licenses may become tools for raising rivals’ costs, shielding invalid patents, and increasing prices of downstream products. *See, e.g., MPEG-2 Business Review Letter*, 1997 DOJBRL LEXIS 14, *18-19 (pooled license “can restrict competition, whether among intellectual property rights within the pool or downstream products incorporating the pooled patents or in innovation among parties to the pool”). Availink alleges not only that the lack of step-down affects prices, but that the combination of a range of conduct led to supracompetitive pricing. (*See* Section VI.A.1, *supra*.) These allegations are sufficient to plead anticompetitive effects. *See, e.g., Nat’l Football League’s Sunday Ticket Antitrust Litig.*, 933 F.3d at 1153 (“[l]ooking holistically at the alleged conduct, we conclude that the complaint adequately pleads ... [injury to] competition); *Brown v. Amazon.com, Inc.*, 2023 WL 5793303, at *10 (W.D. Wash. Sept. 7, 2023) (denying motion to dismiss based on alleged “aggregation of alleged anticompetitive effects”).

Second, Availink alleges that the conspirators have market power, which HDMI LA does not dispute, and that the challenged conspiracy restricts competition “as a matter of economic theory.” (Dkt. 49 ¶¶ 32, 37, 38, 50, 57, 84, 98, 102, 121-23.) Availink alleges that the cumulative effect of the various conduct—exacting royalties for non-infringing products, bundling licenses for different versions of the standard, discriminating against small competitors, and the like—“raises rivals’ costs,” “disadvantages

small competitors,” “suppress[es] competition” from early versions of HDMI products, and “retards incentives to innovate.” (*Id.* ¶¶ 50, 57, 66, 77, 84, 102.) Those allegations are sufficient to show the conspiracy harms competition. *See, e.g., Samsung Elecs.*, 2015 WL 10890655, at *7 (denying motion to dismiss antitrust claims where complaint alleged “a variety of actions” by patent pool, including “coercive imposition of supracompetitive royalties” and “imposition of unequal grantback and cross licensing provisions”); *Sandisk Corp.*, 2010 WL 11595034, at *8-*9 (denying motion to dismiss antitrust claims where licensor with market power used licensing terms to “impose” additional costs on rivals and “reduce incentives” to innovate); *see also Forsyth v. Humana, Inc.*, 114 F.3d 1467, 1478 (9th Cir. 1997) (conduct that “increased the operating cost” of competitors harms competition); *REX - Real Est. Exch. Inc. v. Zillow Inc.*, 2021 WL 3930694, at *7 (W.D. Wash. Sept. 2, 2021) (allegations of conspiracy to disadvantage certain competitors sufficient to show injury to competition); *Toronto v. Jaffurs*, 297 F. Supp. 3d 1073, 1088 (S.D. Cal. 2018) (allegations of conspiracy to exclude rival sufficient to avoid motion to dismiss).

5. Availink has standing to challenge the grantback provision.

Finally, HDMI LA says that Availink has no standing to challenge the grantback provision. (Mot. 13-14.) This too is wrong. Again, HDMI LA cherry picks the potential benefits of a single provision but ignores its detriments and how it contributes to the scheme’s overall anticompetitive effects.

First, the grantback (or “non-assertion”) provision is a price-fixing agreement that retards innovation. (Dkt. 49 ¶¶ 101-102.) As is well recognized, “such clauses may reduce the incentive for independent innovation by licensees.” Am. Bar Assoc., *Antitrust Issues in Int’l IP Licensing Transactions*, at II.D.4.e.2 (2012). To prevent that anticompetitive effect, the DOJ has only approved grantback provisions that require the payment of “fair and reasonable royalties” set by the package licensing rate or independently negotiated between the patent holder and potential licensees. *See, e.g., MPEG-2 Business Review Letter*, 1997 DOJBRL LEXIS 14, *16, *26 (grantback royalty same as per patent royalty of pooled license); *3C Business Review Letter*, 1998 DOJBRL LEXIS 15, *30 (requiring grantback license at “reasonable, non-discriminatory conditions comparable to those’ of the Portfolio Licenses”).

Here, however, the Adopter Agreement gives the Founders complete discretion to set the royalty rate for any necessary patents held by licensee. (Dkt. 49 ¶ 101.) Licensees must agree not to assert any necessary patents “they may now or in the future own or control” against any Founder or any of the 1,900

Adopters. (*Id.* ¶ 100.) In return, licensees receive only a royalty that the Founders, in their “discretion,” agree upon. In other words, the Founders, who would otherwise be competing buyers, jointly set a price for licensees’ patents. That is an unlawful price-fixing agreement. *See, e.g., Mandeville Island Farms, Inc. v. Am. Crystal Sugar Co.*, 334 U.S. 219, 235 (1948) (agreement among buyers on price they would pay seller is *per se* unlawful).

Second, although it did not have patents directly affected by the grantback requirement, Availink was nonetheless harmed by this price-fixing agreement. Availink is “a consumer in the market for HDMI technology, it competes in the relevant markets for HDMI-compliant components and HDMI SoC ICs, and it sells components used in the market for HDMI-compliant end-user products.” (Dkt. 49 ¶ 124.) By suppressing innovation, the Founders and HDMI LA excluded potential competition in the markets for HDMI technology, HDMI-compliant products, and HDMI SoC ICs. The grantback provision thus bolstered the conspirators’ market power and allowed them to keep their royalties and fees higher. (*Id.* ¶¶ 102, 118, 123-24.) That harmed Availink. *See Samsung Elecs.*, 2015 WL 10890655, at *7 (finding potential licensee suffered antitrust injury from grantback’s restriction on innovation).

B. Availink states claims under the state antitrust and unfair competition laws.

1. The California Cartwright Act

According to HDMI LA, there is no difference between Availink’s federal Sherman Act claim and its California Cartwright Act claim. (Mot. 14.) But in truth, the “Cartwright Act is broader in range and deeper in reach than the Sherman Act.” *In re Cipro Cases I & II*, 61 Cal. 4th 116, 160 (2015) (quoting *Cianci v. Superior Court*, 40 Cal. 3d 903, 920 (1985)). Thus, Sherman Act case law has only a “limited” role in Cartwright Act cases. *Knevelbaard Dairies v. Kraft Foods, Inc.*, 232 F.3d 979, 985 (9th Cir. 2000).

This broader and deeper range makes a difference here. For instance, HDMI LA (incorrectly) says that Availink has not pled sufficient “anticompetitive effects” for a Sherman Act violation. (Mot. 10-11.) But the Cartwright Act “reaches deep in proscribing anticompetitive conduct,” including any agreement by which businesses “pool ... any interests” that may affect prices “*in any manner.*” *AT&T Mobility LLC v. AU Optronics Corp.*, 707 F.3d 1106, 1110 (9th Cir. 2013) (internal quotation omitted; emphasis original). In this way, the “Act reaches beyond the Sherman Act to threats to competition in their incipency,” *id.*, and is violated by an agreement that *may* substantially lessen competition, *Cianci*, 40 Cal. 3d at 918.

1 Proof of actual anticompetitive effects is unnecessary; the Act “goes beyond ‘clear-cut menaces to com-
 2 petition’ in order to deal with merely ‘ephemeral possibilities.’” *Id.* Availink’s allegations of raising
 3 rivals’ costs, disadvantaging competitors, and retarding innovation easily meet this standard.

4 Moreover, HDMI LA argues (also incorrectly) that Availink has no standing under the Sherman
 5 Act to challenge the grantback provision. But the requirements for standing and antitrust injury under the
 6 Cartwright Act are less stringent than under the Sherman Act. *See, e.g., Knevelbaard Dairies*, 232 F.3d
 7 at 991 (“the more restrictive definition of ‘antitrust injury’ under federal law does not apply to the Cart-
 8 wright Act” (internal quotations omitted)). Thus, injuries that are “entirely derivative” from injuries to
 9 others, which are insufficient under the Sherman Act, may be sufficient under the Cartwright Act. *William*
 10 *Morris Endeavor Ent., LLC v. Writers Guild of Am., W., Inc.*, 2020 WL 2559491, at *5 (C.D. Cal. Apr.
 11 27, 2020) (denying motion to dismiss Cartwright Act claim but granting motion on Sherman Act claim
 12 for lack of antitrust standing). Availink’s allegations of injury—that it was forced to pay higher prices
 13 because of diminished innovation—are sufficient. *Id.*

14 The elements of a Cartwright Act claim are: “(1) the formation and operation of the conspiracy,
 15 (2) the wrongful act or acts done pursuant thereto, and (3) the damage resulting from such act or acts.”
 16 *Quelimane Co. v. Stewart Title Guar. Co.*, 19 Cal. 4th 26, 47 (1998). Availink pled facts showing each
 17 of these elements. (Dkt. 49 ¶¶ 31-112, 119-24.) The Court should deny HDMI LA’s motion as to the
 18 Cartwright Act claim.

19 **2. California Business & Professions Code § 17200**

20 HDMI LA also says that Availink’s claim under California Business & Professions Code § 17200
 21 stands or falls with its Sherman Act claim. (Mot. 15.) This too is wrong. A claim under § 17200 “is far
 22 broader than a federal antitrust claim, and thus Defendant’s conduct may constitute a violation of section
 23 17200 even if not rising for some technical reason to an antitrust violation.” *Slattery v. Apple Computer,*
 24 *Inc.*, 2005 WL 2204981, at *5 (N.D. Cal. Sept. 9, 2005).

25 Section 17200 prohibits “any [1] unlawful, [2] unfair or [3] fraudulent business act or practice.”
 26 Cal. Bus. & Prof. Code § 17200. As this “three-prong structure makes clear, a business practice may be
 27 ‘unfair,’ and therefore illegal under [§ 17200], even if not specifically proscribed by some other law.”
 28 *Epic Games*, 67 F.4th at 1000 (internal quotations omitted). Availink alleges violations of all three prongs.

1 *First*, Availink alleges unlawful conduct. This prong covers “anything that can properly be called
2 a business practice and that at the same time is forbidden by law.” *CRST Van Expedited, Inc. v. Werner*
3 *Enters.*, 479 F.3d 1099, 1107 (9th Cir. 2007). The statute “‘borrows’ violations from other laws”—in-
4 cluding both statutory and common law—“by making them independently actionable as unfair competi-
5 tive practices.” *Id.* Here, Availink alleges not only that HDMI LA’s conduct violates federal and state
6 antitrust law, but also that it “constitutes patent misuse.” (Dkt. 49 ¶ 144.) That is sufficient. *See Spex*
7 *Techs., Inc. v. Kingston Tech. Corp.*, 2019 WL 8194714, at *5 (C.D. Cal. Dec. 23, 2019) (§17200 claim
8 based on patent misuse).

9 *Second*, Availink alleges unfair practices. The unfair prong is “‘intentionally framed in its broad,
10 sweeping language, precisely to enable judicial tribunals to deal with the innumerable ‘new schemes
11 which the fertility of man’s invention would contrive.’” *Epic Games*, 67 F.4th at 1000 (quoting *Cel-Tech*
12 *Commc’ns, Inc. v. L.A. Cellular Tel. Co.*, 20 Cal. 4th 163, 180 (1999)). A practice may be “unfair” to
13 competitors if it “threatens an incipient violation of an antitrust law, or violates the policy or spirit of one
14 of those laws because its effects are comparable to or the same as a violation of the law, or otherwise
15 significantly threatens or harms competition.” *Id.* It may be “unfair” to consumers if it is “immoral,
16 unethical, oppressive, unscrupulous or substantially injurious to consumers” or “the practice’s impact on
17 the victim outweighs the reasons, justifications and motives of the alleged wrongdoer.” *Doe v. CVS Phar-*
18 *macy, Inc.*, 982 F.3d 1204, 1214-15 (9th Cir. 2020).

19 Availink meets these tests. It is both a consumer and a competitor of the conspirators. *See* 67
20 F.4th at 1000 (applying both tests because of plaintiff’s market position). It alleges that the conspiracy
21 threatens competition by raising rivals’ costs, suppressing competition, and reducing innovation. (Dkt.
22 49 ¶ 123.) And it alleges that conspiracy is injurious to competitors by raising prices. (*Id.*)

23 *Finally*, Availink alleges fraudulent practices. “A perfectly true statement couched in such a man-
24 ner that it is likely to mislead or deceive the consumer, such as by failure to disclose other relevant infor-
25 mation, is actionable under [§ 17200].” *McKell v. Wash. Mut., Inc.*, 142 Cal. App. 4th 1457, 1471 (2006)
26 (internal quotations omitted). HDMI LA falsely represents “that the HDMI license is necessary for man-
27 ufacturers who produce components compatible only with HDMI 1.0, who do not use the HDMI trade-
28 mark, and whose customers do not use the HDMI trademark, without disclosing that some or all of the

1 patents necessary for HDMI 1.0 have expired.” (Dkt. 49 ¶ 145.) Obviously, whether the patents covering
 2 standard-compliant products have expired is “relevant.” The Court should deny HDMI LA’s motion as
 3 to the § 17200 claim.

4 **3. The New York Donnelly Act and General Business Law § 349**

5 Turning to the New York state-law claims, the Court should deny HDMI LA’s motion as to the
 6 Donnelly Act claim for the same reasons as for the Sherman Act claim.

7 As to the claim under the General Business Law, HDMI LA claims that Availink did not allege
 8 “harm to consumers in New York.” (Mot. 19.) But Availink alleges harm in the worldwide markets for
 9 HDMI-compliant components, HDMI SoC ICs, and HDMI-compliant end-user products. (Dkt. 49 ¶¶ __.)
 10 These products include “digital televisions, personal computers, computer monitors, game consoles,” and
 11 “smartphones.” (*Id.* ¶ 28.) Almost “10 billion devices enabled with HDMI technology have shipped”
 12 since 2002. (*Id.*) And Availink alleges that as a result of HDMI LA’s deceptive acts, “consumers have
 13 been harmed.” (*Id.* ¶ 156.) Thus, unless New York is somehow devoid of consumer electronics, Availink
 14 has alleged harm in that state. The Court should deny the motion as to the New York state-law claims.

15 **C. Availink has stated a claim for cancellation of the trademarks.**

16 Under 15 U.S.C § 1119, the Court may order cancellation of HDMI LA’s trademark registrations:

17 In any action involving a registered mark the court may determine the right to reg-
 18 istration, order the cancelation of registrations, in whole or in part, restore canceled
 19 registrations, and otherwise rectify the register with respect to the registrations of
 any party to the action.

20 **1. Availink has standing to petition to cancel HDMI LA’s registrations.**

21 Even after the dismissal of HDMI LA’s trademark claims, a registered trademark is still “involved”
 22 in this case. HDMI LA’s breach of contract claim includes an allegation that Availink continued to use
 23 HDMI’s registered marks after it ceased to be an adopter. (Compl. Dkt. 1 ¶ 46.) Unlike in the cases cited
 24 by HDMI LA, there remains a claim for breach of a trademark license agreement. Availink has standing
 25 to bring a counterclaim that the claim of breach is invalid because the trademarks are now generic.

26 HDMI LA’s cases are thus inapposite. In *Apogee*, there was no standing because the Court had
 27 already found that the defendant’s use of its mark did not infringe the plaintiff’s mark, so there was no
 28 harm to the defendant by continued registration. *Glob. Apogee v. Sugarfina, Inc.*, 2023 WL 3235934, at

*7 (C.D. Cal. Mar. 31, 2023). In *Vital Pharma*, once the trademark infringement claim was dismissed, there was no remaining cause of action involving the trademark registration, unlike in this case, where there is a breach of license claim. *Vital Pharms. v. PhD Mktg., Inc.*, 2021 WL 6882435, at *5 (C.D. Cal. Mar. 3, 2021).²

The threshold for standing to seek cancellation of a registration is very low. The person seeking cancellation must simply be more than an intermeddler and allege how the continued registration of the mark may harm it. Proof of damages is not required. *3Point Distribution, LLC v. CafePress.com, Inc.*, 2008 WL 11341309, at *2-3 (C.D. Cal. Aug. 25, 2008) (citing *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 735 F.2d 346 (9th Cir. 1984)); *see also Gay Pro. Men of Color v. CBE Pride*, Opp. No. 91252308, 2020 WL 2394376, at *2 (TTAB May 8, 2020) (“To prove its standing to oppose the registration of an allegedly generic or descriptive term, an opposer must show only that it is engaged in the manufacture or sale of the same or related goods or services as those listed in the applicant’s application such that the opposer has the right to use the term in a descriptive or generic manner.”).

Since Availink makes chips that are HDMI compliant, it has a competitive need to be able to refer to that generic standard. Availink is harmed by the continued existence of registrations for a term that no longer functions as a trademark, first, because it may be at risk of litigation for correctly advertising that its goods comply with HDMI standards, as HDMI LA threatened in its opposition to the motion to dismiss the trademark claims. (Dkt. 38 at p. 11.) Second, Availink is harmed because HDMI LA’s breach of contract claim seeks damages for Availink’s alleged use of these generic marks. (Dkt. 1 ¶¶ 46-47, and Prayer for Relief, ¶ 2.) Third, not being a party to the Adopter Agreement will cause harm to Availink (e.g., Dkt. 49 ¶ 47), but that same agreement would require Availink to license HDMI marks it does not use (*id.* ¶¶ 51-57) and also hold Availink accountable for royalties for use of the HDMI trademark and technology by its customers (*id.* ¶ 54). There is no doubt that Availink has standing.³

² HDMI LA implies that the genericness count is a counterclaim to the dismissed trademark claims. It is not. It was filed as a counterclaim to the breach of contract claim. As the Court knows, Availink did not file an answer and counterclaim to the trademark claims, but instead filed a successful 12(b)(6) motion. (*See* Dkt. 65.)

³ Moreover, HDMI LA claims that it is not planning to replead “at this time” (Dkt. 72 at p. 16), which suggests that it may try to seek leave to revive the trademark claims even though the Court gave HDMI LA a deadline of November 2, 2023, to replead. (Dkt. 65.) This leaves Availink with a continued threat of being accused of infringement, and thus a need to clarify that the trademarks are generic.

1 **2. Availink has pled sufficient facts to show genericness.**

2 Even a registered trademark can become generic as to the goods for which it is registered. Trade-
 3 mark law provides for cancellation “[a]t any time if the registered mark becomes the generic name for the
 4 goods or services, or a portion thereof, for which it is registered.” 15 U.S.C. § 1064(3). A trademark
 5 becomes generic when the primary significance of the registered mark to the relevant public is as the name
 6 for a particular type of good or service irrespective of its source. *Elliott v. Google, Inc.*, 860 F.3d 1151,
 7 1155–56 (9th Cir. 2017).⁴

8 Availink has properly alleged that HDMI’s primary significance to the public is for a particular
 9 type of good. (Dkt. 49 ¶¶ 108-112.) Availink has also provided numerous examples, not mere conclusory
 10 allegations, of non-trademark use of HDMI as a type of cable, port, or connection, by retailers and manu-
 11 facturers, including, as HDMI LA notes, Samsung, an Adopter. (Dkt. 49, Exs. 1 and 2.) The fact that
 12 Samsung may be an Adopter does nothing to support HDMI LA’s position; if anything, evidence of
 13 Adopters using HDMI generically bolsters Availink’s allegations of genericness.

14 The cases cited by HDMI LA do not support dismissal. First, HDMI LA relies on summary judg-
 15 ment cases that do not test the sufficiency of allegations under Rule 12, but whether the evidence *proved*
 16 the complaint allegations or whether a *genuine issue of fact* remained. *Axon Enter., Inc. v. Luxury Home*
 17 *Buyers, LLC*, 2023 WL 4636917 (D. Nev. July 19, 2023); *Sensory Path Inc. v. Fit & Fun Playscapes LLC*,
 18 2021 WL 4768247 (N.D. Miss. Oct. 12, 2021).

19 The cases under Rule 12(b)(6) do not help HDMI LA either. In *Gibson*, the defendant alleged that
 20 other third-party manufacturers used the allegedly generic shape of a guitar but did not name any in its
 21 pleading. *Gibson Brands, Inc. v. John Hornby Skewes & Co.*, 2014 WL 4187979, at *1 (C.D. Cal. Aug.
 22 22, 2014). However, the defendant was able to cure this issue by simply repleading with more detailed
 23 information. *See Order, Gibson Brands v. John Hornby Skewes & Co.*, 2:14-cv-00609-DDP-SS (C.D.
 24 Cal. Oct. 23, 2014), Dkt. 57. In contrast, Availink has provided concrete examples in the Exhibits to the
 25 Counterclaims of third-party use of HDMI in a non-trademark way.

26 _____
 27 ⁴ The fact that there is a registration has no bearing on pleading, but only on the burden of proof.
 28 Once again, HDMI LA cites a summary judgment case, not a Rule 12(b)(6) case, which evaluated the
 “anemic” evidence, not the sufficiency of the pleadings. *POM Wonderful LLC v. Hubbard*, 2016 WL
 3621281, *8 (C.D. Cal. June 29, 2106).

1 In *Entrepreneur*, the defendants simply alleged that the mark ENTREPRENEUR was generic for
 2 a host of varied goods and services across many different kinds of goods and services. *Entrepreneur*
 3 *Media, Inc. v. Dermer*, 2019 WL 4187466 (C.D. Cal. July 22, 2019). In this case, Availink has specifically
 4 alleged that HDMI is generic for a type of connector or port. (Dkt. 49 ¶¶ 109-112.)

5 Moreover, the level of detail provided in the Counterclaims is in line with other genericness cases
 6 that have survived a motion to dismiss. *See, e.g., Green Prods. Co. v. Black Flag Brands LLC*, 2010 WL
 7 3910336, at *5 (N.D. Cal. Oct. 4, 2010) (party adequately alleged trademark was generic where party
 8 claimed that “(1) wood preservative that is green in color is the standard in the construction industry; (2)
 9 competing wood preservatives products in the ‘copper green’ color have been sold in the market for more
 10 than 20 years; and (3) Plaintiff’s mark ‘COPPER–GREEN’ has become generic for the goods for which it
 11 is registered, i.e., wood preservative products.”).

12 As is typical in such cases, “the determination of [genericness] requires additional evidence that is
 13 not currently before the Court, which could include ‘consumer surveys, dictionary definitions, newspapers
 14 and other publications, generic use by competitors, testimony of lexicographers, generic use of the term
 15 by [the] mark’s owner, and use of the term by third parties in trademark registrations.’” *Fragran-*
 16 *ceNet.com, Inc. v. Les Parfums, Inc.*, 672 F. Supp. 2d 328, 334 (E.D.N.Y. 2009). That is the type of
 17 evidence that Availink will provide later. It is not required to provide it at the pleading stage.

18 **D. Availink states a claim for declaratory relief.**

19 Finally, HDMI LA says that Availink’s declaratory relief claim “merely recites issues ... before
 20 this Court.” (Mot. 20.) But while based in part on its federal and state antitrust and unfair competition
 21 claims, Availink seeks declaratory relief with regard to additional disputes and controversies, such as the
 22 interpretation of the Adopter Agreement, whether the licensing program constitutes patent misuse, the
 23 rights and remedies under the Adopter Agreement and the Trademarks, and noninfringement of the Trade-
 24 marks. (Dkt. 49 ¶¶ 159-67.)

25 **V. CONCLUSION**

26 The motion should be denied.

27

28

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Respectfully submitted,

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